



## U.S. Department of Justice

*United States Attorney  
Eastern District of Wisconsin*

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517 East Wisconsin Avenue

414 / 297-1700

Milwaukee, WI 53202

TTY 414 / 297-1088

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### NEWS SUMMARY

#### **Prison Sentences Handed Down in \$400,000 Stolen Treasury Check Scheme**

Steven M. Biskupic, the United States Attorney for the Eastern District of Wisconsin, and Sallie T. Cooper, Special Agent in Charge of the IRS Criminal Investigation Division, St. Paul Field Office, announced today that two of the last defendants involved in a conspiracy to steal U.S. Treasury checks and to launder the checks' proceeds were sentenced in federal district court in Milwaukee, Wisconsin, on Tuesday, January 17, 2006.

United States District Judge J.P. Stadtmueller sentenced Sheryl Culbert to serve 78 months in federal prison and sentenced her brother, Jonathan B. Culbert, Jr., to serve 42 months in federal prison.

These sentencings are the latest in a ten-defendant conspiracy whose object, according to the indictment, was to steal Treasury checks from a United States Postal Service facility in Los Angeles, California, and have the checks shipped to Milwaukee, Wisconsin, where their proceeds were laundered through accounts opened in the name of fictitious businesses. The stolen checks included tax refund checks and Social Security checks.

The indictment alleged that Jonathan Culbert, Jr. stole Treasury checks from the Los Angeles postal facility where he worked during the time of the conspiracy, and that he gave the checks to his sister, Sheryl Culbert, so that she could have the checks cashed through the fictitious business accounts.

On September 29, 2005, following a three-day trial, a federal jury found Jonathan Culbert guilty of conspiring to steal Treasury checks from a United States postal facility and to engage in bank fraud and money laundering. During the January 17 sentencing hearing, Judge Stadtmueller increased Jonathan Culbert's sentence based on the court's finding that Culbert had obstructed justice by testifying falsely during his trial.

The government alleged in the indictment that two other Los Angeles residents, Rhonda Peoples and Larry Bluford, also provided stolen Treasury checks to Sheryl Culbert to have them cashed as a part of the same conspiracy. Mr. Bluford has pleaded guilty. Ms. Peoples is a fugitive.

Co-defendants Sheryl Culbert, Alvyna Sanders, and Marlon Holt, all of whom pleaded guilty, acknowledged that, after Sheryl Culbert received stolen Treasury checks, she caused the checks to be sent to Holt in Miami, Florida. Holt, in turn, sent those stolen Treasury checks to co-defendant Gene Vaughn in Milwaukee, Wisconsin.

Gene Vaughn, who also pleaded guilty, admitted that after he received stolen Treasury checks from Marlon Holt, he deposited them into accounts he had opened in the names of fictitious businesses. As Mr. Vaughn acknowledged in his plea agreement:

- In March 2001, he and co-defendant Demetrious Garner opened an account in the name of “EZ Check Cashing.” Between May 2001 and October 2001, Gene Vaughn caused over 213 stolen Treasury checks, totaling over \$383,000, to be deposited into that account via deposits made at Milwaukee-area Wells Fargo Bank branches.
- In March 2002, after Wells Fargo Bank had closed the EZ Check Cashing account for suspicious activity, Gene Vaughn and his niece Tominka Vaughn, using aliases, opened another checking account at Wells Fargo Bank in the name of a fictitious business, “Ruekia Redd d/b/a Tax Returns by Redd.” During April 2002, Gene Vaughn and Tominka Vaughn caused nine stolen and fraudulently endorsed Treasury checks, totaling approximately \$16,023.47, to be deposited into the Tax Returns by Redd account.
- In June 2002, after Wells Fargo had closed the “Ruekia Redd” account, Gene Vaughn opened another checking account in the name of a fictitious business, this time at Bank One in Michigan City, Indiana, and in the name “Troy Phillips d/b/a Phillips Tax Agency.” Between June 2002 and July 2002, Gene Vaughn and others caused 11 stolen Treasury checks, totaling \$24,773.64, to be deposited into that account.

Gene Vaughn also admitted having received some of the stolen checks involved in the conspiracy from another source, co-defendant Johnny Watts. Like Sheryl Culbert and Jonathan Culbert, Johnny Watts was also from the Los Angeles, California area. In the indictment, the United States charged Mr. Watts with having conspired to provide stolen Treasury checks to Gene Vaughn and to have Vaughn launder the proceeds.

On July 8, 2005, following a three-day trial, a jury found Mr. Watts guilty of conspiring to transport stolen Treasury checks, to engage in bank fraud, and to commit money laundering.

All told, the various co-conspirators caused over \$423,000 in stolen checks to be fraudulently endorsed, negotiated, and deposited into the three fictitious business accounts opened by Vaughn and others.

In addition to sentencing Sheryl Culbert to 78 months’ imprisonment and Jonathan Culbert to 42 months’ imprisonment, Judge Stadtmueller sentenced the seven other co-conspirators who have been convicted to date as follows:

- Gene Vaughn, following entry of a guilty plea, was sentenced to 112 months' imprisonment;
- Johnny Watts, after a jury found him guilty, was sentenced to 86 months' imprisonment;
- Tominka Vaughn, following entry of a guilty plea, was sentenced to 40 months' imprisonment;
- Demetrious Garner, following entry of a guilty plea, was sentenced to 36 months' imprisonment;
- Marlon Holt, following entry of a guilty plea, was sentenced to 36 months' imprisonment;
- Larry Bluford, following entry of a guilty plea, was sentenced to 26 months' imprisonment; and
- Alvyna Sanders, following entry of a guilty plea, was sentenced to 15 months' imprisonment.

Several of the defendants' sentences were enhanced on the grounds that they had engaged in sophisticated money laundering.

The United States has also obtained orders requiring each of the defendants convicted to date to pay restitution to the victims. The United States has also obtained orders requiring defendants Johnny Watts and Jonathan Culbert to forfeit \$135,100 and \$23,700, respectively, from the equity in their homes, to the United States.

The federal agencies involved in the investigation included IRS Criminal Investigation, the United States Secret Service, and the United States Postal Inspection Service. Assistant United States Attorneys Scott Campbell and Nelson W. Phillips III, of the U.S. Attorney's Office for the Eastern District of Wisconsin in Milwaukee prosecuted this case.

The United States Attorney's Office recognizes the efforts put forth by all of the agencies in piecing together this multi-state conspiracy. Assistant United States Attorney Scott Campbell stated: "As a result of the diligent efforts of the federal agents who investigated this case, the United States has closed down a sophisticated financial conspiracy and brought its members to justice. This case shows that those who commit fraud face the prospect of significant jail time and financial penalties."

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For more information contact:  
 Assistant United States Attorney Scott Campbell  
 First Assistant United States Attorney William Lipscomb  
 414-297-1700